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SIPDIS

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SUBJECT: 2005 IN EGYPT: SERIOUS CHANGE RAISES SERIOUS
RESISTANCE

Classified by Ambassador Francis Ricciardone for reasons 1.4
(b) and (d).

Summary & Introduction

1. (C) Serious political and economic change in Egypt this year generated serious resistance to change. Mubarak has tolerated the former but yielded to the latter. Following the country's first ever Presidential election and nearly a month of parliamentary elections, Egypt's political landscape has altered significantly in 2005. Left standing are Egypt's ruling National Democratic Party, which held on to its overwhelming majority in parliament, and the banned but tolerated Muslim Brothers. The secular opposition was routed in both the Presidential and Parliamentary elections, done in by their ineptitude and the regime's "dirty tricks." 2006 promises to be another year of change on both the economic and political fronts. The more significant the change, the more serious the resistance will be * with most resistance likely from within Mubarak's government and NDP. If Mubarak yields to his lifelong caution and conservatism and fails to lead boldly a people that both demand change and fear it, he risks loss of a golden leadership opportunity at best - and at worst, ceding the moment to others. End summary and introduction.

The Muslim Brotherhood's Brave New World

2. (C) After more than a decade of state containment, Egypt's Muslim Brotherhood (MB) ably asserted itself against an incompetent ruling party in the November-December People's Assembly (PA) elections. Its meticulous organization and street credibility paid off, producing 35 PA seats in the first stage, 40 more in the second stage, and 11 additional seats in the third stage, despite the NDP's and government's often extra-legal efforts to control the results. Even with 88 PA seats (out of 444 total), the Islamists will remain too few to block the NDP's legislative agenda. They have nonetheless attained a new platform from which to promote themselves and criticize the regime. The MB's higher public profile may also bring internal strains to the surface. The group is divided between an aging leadership still wed to imposing Shari'a law and a younger, more pragmatic generation eager to prove that Islamic governance can be reconciled with modern democracy.

The New NDP: Old Wine in an Old Bottle

3. (C) Early this year, the NDP reformers appeared to be on the rise. Mubarak's constitutional reform initiative to open the presidential election to other candidates combined with the appointment of a reformist economic cabinet in the summer of 2004, indicated that the "reform camp" steered by Gamal Mubarak was gaining control of the NDP. The leading reformers, however, were mostly very able technocrats rather than political figures in their own right. The reformist trend was reversed with the October selection of the NDP's official parliamentary candidate slate, packed with politicians, many from a discredited "old guard," picked for their ability to win rather than their commitment to reform.

4. (C) With twenty percent voter turnout, more than two-thirds of the NDP's candidates -- or affiliated independents -- went on to win. Initially they relied on vote buying and mass-bussing of public sector employees. In the second round they resorted to deploying NDP thugs to intimidate voters. In the final round, the security forces abandoned their "neutrality" and closed many polling stations in areas with strong MB support. There is little evidence that the young and reform-minded members of Gamal Mubarak's Policies Secretariat, once regarded as the party's principal power center, retains any influence over the party's direction. While the party's "old guard" still trumpets "new thinking" and reformist slogans, they will not be an engine for political reform in 2006. That said, it is Hosni Mubarak, not the party leaders, who will ultimately decide the pace and direction for reform.

Opposition Parties Marginalized, for Now

15. (C) Egypt's recognized secular opposition parties were pushed to the margins in 2005. All but a handful of parliamentary candidates running under the "National Front" banner were routed. The Ghad Party and its charismatic leader Ayman Nour were crushed by the regime. Egypt's opposition parties will seek to rebuild and regroup in 2006. There is broad agreement that Egypt's premier traditional opposition party, the Wafd, needs a comprehensive housecleaning to avoid extinction. Meanwhile, several new parties with potential electoral appeal are on track to win recognition through the courts. Some observers speculate that disillusioned NDP reformers such as Hossam Badrawi, having failed in their effort to reform the NDP, might form a new party. Others see the GOE's destruction of Ayman Nour and the Ghad Party as a warning against such efforts. At least one top official is putting about his view that Mubarak will aim to re-establish a three party system based on the battered old name plates of the NDP (center), Wafd (secular right/liberal) and labor parties as a means of excluding the MB.

Mubarak: What's a Pharaoh to Do?

16. (C) At the end of a hectic political year, Mubarak has accomplished meaningful economic reforms, opened the door (before trying to slam it again) on substantial political reforms, and retained firm control of the government. But making good on his promises to accelerate political reforms in his fifth term, while maintaining the level of the control to which he has become accustomed, will be difficult. Domestic policy, boldness, and vision have never been Mubarak's strong suits. Critics argue that Mubarak's obsession with stability long ago crossed the line to stagnation. The 77 year old Mubarak shows scant comprehension of what drives his demographically young ancient country, and particularly the emerging generation of political activists.

The Outlook for 2006

17. (C) Three key issues will dominate Egypt's political landscape in 2006:

1A. Political reform: Early indicators of the way forward will be the tone and agenda Mubarak lays out in his address opening the new parliament, scheduled for December 19, and the way the GOE handles the prosecution of opposition leader Ayman Nour, whose politicized trial is reaching its climax (with verdict and possible sentencing again postponed, now to December 24). Mubarak's stated political reform agenda includes:

-- Repealing the emergency law and replacing it with an anti-terror law. The latter is likely to prove at least as authoritarian as the former.

-- Devolving executive powers to the legislature. This step was announced and contemplated before the Islamists saw a five-fold increase in their parliamentary legislation. Such a move might require a constitutional amendment, which in turn would require a national referendum. No meaningful advance in this area now appears likely in 2006.

-- Devolving fiscal authority to the provinces. This move could be a key to making government more efficient and responsive to the public, but would also threaten the interests of powerful policy elites in Cairo.

-- Reform of democratic processes: what Egypt most needs, as a technical measure, is to fix its voter registration system. Instead the emerging priority seems to be legislation to revert to a party list system, aimed to freeze out the Muslim Brotherhood.

-- Continued judicial reform

1B. Economic reform: While a reactionary Mubarak regime is ill-disposed and ill-equipped to lead political reform, he evidently accepts the GOE's technocratic leadership's recognition that economic reform is vitally necessary to produce jobs in order to ensure social peace. Mubarak also may calculate that undertaking meaningful economic reforms could relieve some of the domestic and international pressure for political reform, especially if renewed economic growth produces rapid improvements in everyday life for the average Egyptian.

-- The GOE recognizes that it must attract investment to face up to its massive unemployment problem and compete in the global market place. Egypt must reach and maintain a 6 percent growth rate just to absorb the 600,000 job seekers that enter the labor market each year, let alone reduce unemployment. We expect the GOE will continue financial sector reform, particularly consolidation of the banking sector, which includes privatization of the state-owned banks, and hope to see accelerated privatization of other state-owned firms.

-- However, genuine structural transformation of the economy cannot be achieved until the state addresses its massive subsidies of fuels and basic foodstuffs and deals with the overhang of the military and other public sectors of the economy. The GOE will surely move cautiously on subsidies in the near term, and Mubarak will leave reform of the military and its "industries" entirely to his successor given the potential explosive political repercussions. Not until a new cabinet is named will it be possible to assess the strength of the President's commitment to advancing economic reform.

[1](#)C. Succession: Although Mubarak is still fit, the actuarial tables will catch up with him eventually. As 2005 draws to a close, there is still no scenario for succession and no obvious successor. This is the fundamental problem of even benevolent and popularly accepted dictatorships, and of Mubarak's own rule. He shows no sign of grappling with it seriously. Public opposition to the succession of Gamal Mubarak is widespread, and his stock appears to have dropped sharply as his five year effort to transform the ruling NDP has lost credibility. The military stands silent in the background, showing no taste to step in, but remains as the presumptive guarantor of the state if all else were to fail in an emergency that were to outlast or confound the constitutional processes of succession.

-- There is much speculation that Mubarak will address the issue of succession by finally appointing a Vice President. Another Cairo rumor suggests that he could appoint two. The obvious candidates are Intelligence Chief Gen. Omar Soliman and Prime Minister Nazif.

[1](#)8. (C) Each of these three issues will be dealt with * if they are dealt with at all * in a profoundly different environment than the Egypt which Mubarak and his countrymen knew before this year * and the more so before his own succession to rule. The fear barrier has been shattered, and deference to the regime is ebbing. For all of the problems with the parliamentary elections, it is notable that abuses have been widely reported and discussed. Egyptian civil society, including a small but hardened core of democratic advocacy groups has solidified its position on the political landscape, and an emboldened independent media continues to push ever farther its coverage of sensitive issues and its criticism of the senior political leadership. The new and passionate debate about liberal democracy versus political Islam and authoritarian alternatives to either may be the most significant advance in Egyptian politics of 2005, and it is that which lends the most promise of further advances in [1](#)2006. Leadership is one key to the direction, depth, and speed of further change.

JONES